

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1516-05
Bill No.: SCS for HCS for HB 581
Subject: Agriculture and Animals; Department of Agriculture; Counties; Water Resources and Water Districts
Type: Original
Date: April 30, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
State Schools Moneys Fund*	\$0	\$0	\$0
Veterinary Medical Board Fund	(\$2,666)	(\$2,728)	(\$2,792)
General Revenue	(\$50,000) to (Unknown)	Less than (\$1,126,614)	Less than (\$1,213,678)
Total Estimated Net Effect on <u>All</u> State Funds**	Unknown exceeding (\$52,666)	Less than (\$1,129,342)	Less than (\$1,216,470)

* Revenues and expenditures \$0 to exceeding \$960,000 annually and net to \$0.

**Does not include unknown costs for Attorney General

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government#	\$0	\$0	\$0

Revenues and expenditures \$0 to exceeding \$960,000 annually and net to \$0.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator, Department of Agriculture, and Department of Conservation** assume the proposed legislation would not fiscally impact their organizations.

Officials from the **Department of Natural Resources (DNR)** provided the following assumptions for the proposed legislation:

Section 262 (Farmland Protection)

The proposed legislation allows the state or political subdivisions to hold water and sewer assessments in abeyance until improvements on rural property or more than 10 acres are connected to the system. This does not affect the DNR's authority. Therefore, these provisions would have no direct fiscal impact on the DNR.

Section 414 (Biodiesel Buses)

Implementation is the responsibility of the Department of Elementary and Secondary Education. Funding is subject to appropriation.

The DNR assumes no additional resources would be needed to implement the provisions of this bill.

Section 1

The DNR stated this section would not change the DNR's authority; therefore, no direct fiscal impact to the DNR.

Officials from the **Office of Attorney General (AGO)** assumes an unknown cost to represent individuals per section 262.802.14. Moreover, the AGO typically defends the constitutionality of statutes on behalf of the state rather than on behalf of individuals.

Officials from the **Office of Prosecution Services** assumes costs associated with the proposed legislation can be absorbed within current resources.

Officials from the **Office of Administration - Budget and Planning (BAP)** stated the proposed legislation should not result in additional costs or savings to the BAP. There would be impact on total state revenue. However, the BAP does not have information available to estimate the cost of the tax credits. The BAP officials defer to the Department of Agriculture to provide this estimate.

ASSUMPTION (continued)

Assuming the school districts utilize the maximum amount allowed under the bill, based on .007 of \$132,373.402 (entitlement authorized for 1998-99) and a 4% growth for three years, officials of the **Department of Elementary and Secondary Education** indicated that the maximum effect of the proposal would be:

2002-03: \$132,373,402.00 x .007 = \$ 926,613.81
2003-04: \$ 926,613.81 x 1.04 = \$ 963,678.37
2004-05: \$ 963,678.37 x 1.04 = \$ 1,002,225.50
2005-06: \$ 1,022,225.50 x 1.04 = \$ 1,042,314.52

Officials from the **Department of Corrections (DOC)** stated that currently, the DOC cannot predict the number of new cases which may result from the creation of the offense(s) outlined in this proposal. An increase in commitments depends on the utilization by prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase in cost either through incarceration (FY 99 average of \$35.61 per inmate, per day) or through supervision provided by the Board of Probation and Parole (FY 99 average of \$2.47 per offender, per day).

The following factors contribute to the DOC's minimal assumption:

- 1) The DOC assumes the narrow scope of the crime will not encompass a large number of offenders; and,
- 2) The low felony status of the crime enhances the possibility of plea-bargaining or imposition of a probation sentence.

In summary, supervision by the DOC through probation or incarceration would result in some additional costs, but it is assumed the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

Oversight assumes that the conviction and incarceration of only one person would create a minimal fiscal impact of less than \$100,000 annually.

Officials from the **Office of Secretary of State (SOS)** stated this bill creates the Large Animal Veterinary Medicine Loan Repayment Program and the Farmland Protection Act, amends the New Generation Cooperative Incentive Tax Credit, establishes a biodiesel fuel program for schools and makes it a crime to spread disease to livestock or animals. The Missouri Veterinary Medical Board and the Department of Elementary and Secondary Education shall promulgate rules to implement this bill. Based on experience with other divisions, the rules, regulations, and

ASSUMPTION (continued)

forms issued by the Missouri Veterinary Medical Board and the Department of Elementary and Secondary Education could require as many as 40 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimates. The estimated cost of a page in the *Missouri Register* is \$23.00. The estimated cost of a page in the *Code of State Regulations* is \$27.00. The actual costs could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn. The SOS estimates the cost in FY 01 to be \$2,460 [(40 pgs. x \$27) + (60 pgs. x \$23)].

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **City of Kansas City (CKC)** stated some nominal administrative costs may be incurred by the CKC in certain circumstances with respect to the Farmland Protection Act portion of the bill. Whenever any extension of the City's water or sewer system lines is proposed that would be paid for by assessing benefitting property owners, the City staff will be required to expend extra effort to identify any potential benefitting parcel of land within the plan area that might qualify for protection under the Act and calculate the portion of the cost of the project that would not be immediately recoverable through assessments.

Costs will only be incurred by the CKC if an extension of water or sewer lines is proposed or planned. Losses, on the other hand, will only be incurred if the project is actually constructed and some portion of the land benefitted by the project is eligible for protection from immediate assessments under the Farmland Protection Act and does in fact claim such benefit exemption. Therefore, no losses are forced upon the City without its concurrence. Losses will occur only if the City, knowing that some benefitting properties may be eligible to have a portion of their assessments held in abeyance for potentially an extended period of time, and having calculated that potential cost or loss, elects to proceed to construct the sewer or water line extension project anyway. Thus the CKC will not incur a direct financial loss unless it agrees to assume or incur that loss. Some might also consider the CKC to suffer a "loss" from the loss of potential growth and development if water and sewer lines are not extended for the sole reason that a substantial portion of the cost of constructing lines is not going to be immediately recoverable because assessments are held in abeyance under the provisions of the Act.

ASSUMPTION (continued)

Officials from the **Department of Economic Development–Division of Professional Registration (DPR)** assume the following:

- ▶ The majority of contracts entered into would be for a five year period.
- ▶ The student loan repayment would be appropriated from General Revenue and placed in the Large Animal Veterinary Medicine Loan Repayment Program Fund. The cost for student loan repayment would be up to \$50,000 the first year for five participants, \$100,000 the second year for 10 participants, and \$150,000 the third year for 15 participants. The annualized fiscal impact for this fiscal note would be \$150,000. The maximum repayment would be up to \$250,000 per year for 25 participants. This does not include expenses incurred to administer the program.
- ▶ The additional responsibilities and expenses, with the exception of the additional board's meeting expenses, that would be incurred to administer the legislation could be absorbed by existing staff. However, it could be necessary to add additional FTE in the future to handle the increase in workload that would occur as the program grows.
- ▶ The board would need to establish guidelines for ensuring that the participants of the program adhere to their contractual agreement. It is assumed that existing staff could absorb the additional duties required to ensure proper contractual agreement. However, additional FTE could be necessary as the program grows.
- ▶ One additional board member meeting per year would be needed in order to determine five qualified individuals for the program and the area of need the five individuals would practice. The six board members appointed would each be paid \$50 per diem.
 $6 \text{ board members} \times \$50 \text{ per day} \times 2 \text{ days} \times 1 \text{ additional meeting} = \600 per year.
- ▶ The additional board meeting per year would have the following travel expenses. The total cost would be \$2,066:

Mileage: It is estimated that each board member would drive an average of 240 miles round trip x 1 additional meeting per year x 6 members x \$.285 per mile = \$410.

Lodging: It is estimated that each board member would have additional hotel costs of \$75 per night x 2 additional night per year x 6 members = \$900.

ASSUMPTION (continued)

Meals: Meal costs are estimated at \$35 per day x 2 days x 1 additional meeting per year x 9 individuals (includes the AG Representative, Principal Assistant and the Clerk IV) = \$630. In addition, a dinner meal for the evening prior to the meeting would cost \$21 x 1 meeting x 6 members = \$126. Therefore, total meal expense would be \$756.

The DPR has included the cost of loan repayments in the General Revenue Fund. The proposal states that moneys in the Large Animal Veterinary Medicine Loan Repayment Program Fund would be used by the Missouri Veterinary Medical Board to provide loan repayments.

Oversight assumes the income to the Large Animal Veterinary Medicine Loan Repayment Program Fund would be minimal since the income would be from a breach of contract between the individual and the board.

Officials from the **Office of State Public Defender (SPD)** did not respond to our request for fiscal impact.

Oversight assumes that any costs incurred by the SPD would be minimal and could be absorbed within current funding levels.

Officials from the **Platte County Commissions Office (Platte County)** did not respond to our request for fiscal impact.

Oversight assumes that any costs incurred by Platte County would be minimal and could be absorbed within current funding levels.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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STATE SCHOOL MONEYS FUND

<u>Income</u> - Transfers from General Revenue Fund	\$0	\$0 to \$926,614	\$0 to \$963,678
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<u>Costs</u> - Distributions to School Districts	\$0	(\$0 to \$926,614)	(\$0 to \$963,678)
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ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND*	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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* Revenues and expenditures \$0 to \$960,000 and net to \$0.

VETERINARY MEDICAL BOARD FUND

<u>Cost</u> —DPR Board Meeting Expenses	(\$2,666)	(\$2,728)	(\$2,792)
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ESTIMATED NET EFFECT ON VETERINARY MEDICAL BOARD FUND	<u>(\$2,666)</u>	<u>(\$2,728)</u>	<u>(\$2,792)</u>
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GENERAL REVENUE FUND

<u>Costs - Department of Corrections</u> Parole and Incarceration Costs	(Unknown less than \$100,000)	(Unknown less than \$100,000)	(Unknown less than \$100,000)
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<u>Costs - Department of Elementary and Secondary Education</u> Transfer to State School Moneys Fund	\$0	(\$0 to \$926,614)	(\$0 to \$963,678)
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<u>Costs</u> —DPR Loan Repayments	(\$50,000)	(\$100,000)	(\$150,000)
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<u>Costs - Attorney General</u> Client/State Representation Costs	(Unknown)	(Unknown)	(Unknown)
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>Less than (\$150,000)</u>	<u>Less than (\$1,126,614)</u>	<u>Less than (1,213,678)</u>
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*Does not include unknown costs of the Attorney General

FISCAL IMPACT - Local Government

FY 2002
 (10 Mo.)

FY 2003

FY 2004

SCHOOL DISTRICTS

<u>Income</u> - Increased State Aid	\$0	\$0 to \$926,614	\$0 to \$963,678
<u>Costs</u> - Difference between market price of diesel and cost of biodiesel	\$0	(\$0 to \$926,614)	(\$0 to \$963,678)

**ESTIMATED NET EFFECT ON
 SCHOOL DISTRICTS#**

Revenues and expenses \$0 to exceeding \$960,000 and net to \$0.

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Small businesses which are biodiesel fuel distributors, manufacturers or retailers and new generation cooperatives could be affected by this proposal and other small businesses could be affected by other measures in the proposed legislation. The impact is unknown.

DESCRIPTION

This proposal removes the restriction on cooperative marketing associations dealing with non-members. The restriction is removed from Section 274.060, RSMo which deals with Cooperative Marketing Associations and the definition Section 409.401, RSMo, dealing with securities.

For school years 2002-2003 to 2005-2006, this bill allows school districts to establish contracts with nonprofit, farmer-owned new generation cooperatives to supply bus fuel containing at least 20% biodiesel. Subject to appropriation, districts that establish contracts will receive additional state school aid for costs above the market price for regular diesel fuel. Initial statewide payments are capped at 0.7% of the 1998-1999 entitlement for state transportation aid, but may be increased by 4% each year.

This bill creates the Large Animal Veterinary Medicine Loan Repayment Program. The Missouri Veterinary Medical Board will designate counties, communities, or portions of rural regions as areas needing large animal veterinary services. A veterinary student meeting certain requirements may enter into a contract with the board for repayment of educational loans. If the student agrees to serve 5 years or more in a board-designated area, the board may pay up to \$10,000 for each year the student agrees to serve in the area. Provisions for failure of the student to meet contractual obligations are included in the bill. The board may authorize repayment for up to 5 veterinarians each year.

DESCRIPTION (continued)

This bill is to be known as the Farmland Protection Act. The provisions of the bill apply to tracts of real property comprised of 10 or more contiguous acres, used as agricultural or single family residential property or both, and not located in a platted subdivision.

The purpose of the bill is to protect agricultural, horticultural, and forestry land; promote continued rural economic viability; promote quality of life; promote continued viability of those businesses dependent on providing materials, equipment, and services to agriculture, horticulture, and forestry; and protect farmland from negative impacts.

The bill requires the state or any political subdivision to hold sewer and water assessments in abeyance, without interest, until improvements on property covered by the bill are connected to the sewer or water system. Upon connection to the sewer or water system the owner is to pay an amount equal to the proportionate charge for the number of system lines connected to improvements on the property.

The provisions of the bill do not apply to rural water supply districts, except that a rural water supply district is not to require payment from landowners whose property is crossed to service another tract of land until the landowner requests connection to the rural water supply district. Persons purchasing property located within one-half mile of property used for agricultural purposes are to be given a notice of that prior to the final sale. The bill specifies the language of the notice.

The bill also requires that property subject to the Farmland Protection Act is not to be taken by any political subdivision of the state by eminent domain except after an open public hearing.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of State Courts Administrator
Department of Conservation
Department of Natural Resources
Office of Attorney General
Office of Prosecution Services
Office of Administration - Budget and Planning
Department of Elementary and Secondary Education
Department of Corrections
Office of the Secretary of State
City of Kansas City
Department of Economic Development - Profession Registration
Department of Agriculture

NOT RESPONDING: State Public Defender and Platte County Commissions Office

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive script.

Jeanne Jarrett, CPA
Director

April 30, 2001